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SUBJECT: TRANSFORMING CHAD: A CAUTIONARY TALE

¶1. (SBU) SUMMARY: Over the last three years the United States has devoted more attention and resources to Chad than at any time since the joint fight against Libyan aggression in the 1980's. Chad is a major beneficiary of the Trans Saharan Counter-Terrorism Partnership initiative. It receives significant technical help as a test case for the transparent management of oil revenues. It is a player in diplomatic initiatives for peace in Darfur. And it is host to a massive relief effort for nearly half a million refugees and displaced persons. But with a few exceptions, the results have been far from what I hoped when I arrived three years ago. In some areas Chad has actually gone backwards. Regime survival trumped all other considerations. We should continue our support for Chad on the issues that engage our interests, but we also need to encourage efforts to address the democratic deficit inside Chad, which is at the root of its fragility. END SUMMARY

¶2. (U) The last three years in Chad have provided no shortage of material for an account by this departing ambassador of what happened on his watch. This message examines what we tried to do on counter-terrorism, oil, Darfur, and refugees and displaced persons. A subsequent message will look at the Chadian roots of the conflict that complicated, if not stymied, our efforts in each of these areas.

Counter-Terrorism and Counter-Insurgency

¶3. (SBU) In early June 2004, at the same time as Chadian rebels were holding the notorious leader of the Algerian terrorist Salafist Group for Preaching and Combat in a cave in the Tibesti Mountains of Chad's far north, a squadron of U.S. Marines was about to arrive to begin training the first company of Chadian soldiers under the recently launched Pan Sahel Initiative. Three years later, El Para had been handed over to Algerian authorities; our intel cooperation reinforced; hundreds of law enforcement personnel trained under our Anti-Terrorist Assistance program; our outreach to Chad's large Muslim community enhanced; and the capabilities of the Chadian military strengthened under the Trans Saharan Counter-Terrorism Partnership (TSCTP). This was not hard to achieve. Chad is eager to be our partner in the war on terrorism. It welcomes additional security assistance. Despite harboring isolated pockets of extremist sympathizers, its Islamic majority and leadership remain moderate, tolerant, and pro-Western. Notwithstanding the hard feelings from a bungled attempt with the French to upgrade intel collection in eastern Chad in July 2005, our partnership with Chad on counter-terrorism made impressive strides.

¶4. (SBU) But we have also run into problems implementing these programs, some of them of our own making. Resources

available for economic assistance and public diplomacy outreach have not kept up with those for Chad's military and police. The problems have also arisen because of Chad's own precarious political and security environment. While for us the concern is fighting terrorism, for Chad's regime the concern that overrides everything is squelching the rebellion that has simmered in eastern Chad since late 2005. This insurgency has complicated and at times disrupted our efforts to work with Chad's military. For much of the last year, the first anti-terrorism unit we worked with has been unavailable for training, having been deployed guarding the strategic border crossing at Adre. On one occasion, our EUCOM trainers were fired on by a Chadian army helicopter that mistook them for a rebel column advancing on the capital.

15. (SBU) Much of the Chadian public is quick to interpret outside military support as propping up a discredited regime that refuses to accept peaceful democratic change. While the highly visible presence of the French military has largely kept us from being seen as Deby's palace guards so far, we increasingly risk being seen in this light. We need to work to complement our cooperation with Chad's security services by discretely but visibly promoting political reform, by providing greater support for economic development and public diplomacy, and by adjusting the pace and scale of TSCTP implementation to take account of shifting political and security conditions.

Oil Money for Arms or the Poor?

16. (U) In July 2004 Chad received its first check from ExxonMobil and the other partners in the new oil production consortium. By the end of last year it had already received

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nearly US dols 1.3 billion and should receive nearly as much this year, astronomical sums in this dirt-poor country and significantly greater than anticipated at the start of the project. Whether Chad could absorb such inflows without succumbing to the "resource curse" that has undone other similarly poor and weakly governed countries was at the heart of the debate whether the World Bank should support the project. In the end it decided to do so, based on Chad's commitment to spend 85 percent of the royalties on poverty-alleviation projects. With support from U.S. Treasury technical advisors, it also established an independent review board to assure transparency. The World Bank's participation helped unlock the financing for the US dols 6.0 billion now invested in the project, said to be the largest single U.S. private investment in Africa.

17. (SBU) The jury is still out, but after nearly three years it appears that the World Bank's critics were right. At the end of 2005, President Deby, under pressure to pay for the fight against the rebellion in eastern Chad, pushed through amendments that overturned key parts of the oil revenue law. The World Bank responded by blocking transfers of oil royalty payments into Chad's accounts. With the insurgency raging and the blocked funds accumulating, President Deby reacted with an ultimatum: either release the funds or shut down oil production. By the summer of 2006 a messy compromise was reached which allowed Chad to spend more on the military but still commit the bulk of revenues -- not only oil royalties but also oil taxes and non-oil revenues -- to agreed priority sectors.

18. (SBU) Even this additional leeway was not enough. In the first five months of this year spending on arms and equipment was already almost five times the amount budgeted for the whole year. This, together with runaway infrastructure spending, rendered the budget agreement with the IMF meaningless. The principal beneficiaries of Chad's oil bonanza have turned out to be arms merchants and a few road-building firms, not its poor. Not surprisingly,

countering threats to the regime took precedence over promoting development and good governance. If the current relative calm in eastern Chad continues, pressures for more military spending may diminish. At this stage, the World Bank, IMF, and the EU remain committed to supporting efforts to keep Chad's public finances on track. Despite the uncertain prospects, the United States should too. We hope funding can be found to allow us to continue providing technical assistance for Chad's oil revenue management program.

Chad's Darfur Dilemmas

¶9. (U) Chad and Sudan are inextricably linked in Darfur. Bashir helped Deby take power from Darfur in 1990. The Zaghawa elite in Chad has close ties to the Zaghawa rebels in Darfur, and no doubt played a role in the rise of the rebellion. Deby's own role is nuanced. By early 2004 Chad was already foundering in the cross-currents of the conflict in Darfur. Deby tried to broker a ceasefire agreement that spring, but it quickly broke down. In May he barely survived a coup attempt, led by close family members who felt he was not doing enough to come to the defense of their Zaghawa clansmen victimized by the violence in Darfur. He made another attempt to end the conflict when in early 2005 he convened an African Union summit meeting in N'Djamena that included President Bashir among the participants. That effort too soon collapsed. The stirring of the Chadian rebellion, stoked by Sudan's suspicions of Deby, aroused Deby's suspicions of Sudanese complicity. Over the next year he gave up any pretense of neutrality, pulling out of the Darfur mediation effort and increasingly siding with the Darfur rebels. In April 2006 he broke relations with Khartoum and expelled its ambassador.

¶10. (SBU) In February 2006 Qadhafi brokered the first of a series of agreements between the two feuding neighbors. In August he even succeeded in convincing Bashir to return to N'Djamena to attend Deby's inauguration to a third term as president. Relations deteriorated in the fall as Deby fended off repeated rebel attacks coming from the Chad-Sudan border.

In April 2007 Chadian soldiers pursuing rebels into Sudanese territory clashed with Sudanese regular army troops. Yet still another agreement between Deby and Bashir to stop supporting rebels aimed at the other -- this one signed in Riyadh with Saudi Arabia's backing -- has contributed to a lull in rebel skirmishes in recent weeks. The coming rainy season should help keep the border region quiet through the rest of the summer, but the track record for this relative

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calm lasting beyond that is not good.

¶11. (SBU) Chad's entanglement in the conflict in Darfur has complicated its role as a partner in peace efforts there. Deby has called repeatedly for international intervention in Darfur. He saw the spreading violence early on as not only threatening his hold on power but also having the potential of triggering a regional upheaval as explosive as the one in Africa's Great Lakes region. But his ability to play a constructive role has been compromised by his own struggle to fend off the insurgency against him. He -- or at least his close family members and allies -- provided support to the Darfur rebel armies in exchange for them supporting him as a proxy force against the Sudanese-supported Chadian rebels. His worries about further antagonizing Libya and Sudan made him reluctant to accept a UN peacekeeping force to help stabilize his eastern border. Although now agreeing in principle to a French plan for an international security force, he is skittish about going along with harsher measures aimed at Khartoum if it means allowing Chad to be used as a Trojan Horse against his neighbor. We need to be aware of these sensitivities, and we should be careful how far we go in embracing his regime in our effort to secure his

cooperation on Darfur.

Preventing Humanitarian Catastrophe

¶12. (U) Perhaps our worthiest accomplishment in Chad over the last three years is the result of Chad's biggest tragedy. Though violence in Darfur and now in eastern Chad continues, a concerted international response has mitigated the terrible humanitarian consequences. In late 2003 and early 2004 nearly 200,000 Sudanese victims made their way west to the border and settled in a string of make-shift camps just inside Chad. There were doubts that enough food and medicines could get there before the rainy season rendered deliveries virtually impossible. Support improved considerably over the next year, and the numbers of refugees from Sudan and the Central African Republic stabilized. The emergency took another turn for the worse last year as mainly Chadian-on-Chadian ethnic violence flared up, especially in the Dar Sila region south of Abeche. By last spring, Chad harbored not only nearly 300,000 refugees from Sudan and CAR, but also over 150,000 of its own people who had fled attacks on their villages for safehaven further inside their country.

¶13. (SBU) The challenge of keeping nearly half a million people alive in a region as destitute as eastern Chad is daunting. The border area barely supports its existing populations in the best of times. Equidistant from the Mediterranean, the Red Sea, and the Gulf of Guinea, it is as far away from a seacoast as you can get in Africa. The area is virtually outside control by state authority, impassable during the rains, and at times a virtual war zone. The humanitarian operation there has been described as not the biggest ever undertaken, but possibly the most logistically challenging. U.S. assistance has been the essential linchpin in this effort. We are the largest donor by far. We moved relatively early to address the needs of the Chadian host populations, many of them whose lives are harsher than the Sudanese refugees in the nearby camps. We have begun mobilizing assistance for the swelling numbers of Chadian IDP's. The most urgent need now is to assure humanitarian security. That will mean scaling back our ambitions for a large international force with a mandate to stabilize the border region, and instead supporting the French plan for a mixed European-Chadian force to protect the refugees, IDP's, and UN and NGO workers.

Worthy Goals Whipsawed by Harsh Realities

¶14. (SBU) The last three years in Chad provide a cautionary tale on the perils of promoting transformation in a country gripped by ethnic conflict and a border insurgency. Our work has centered around four goals: counter-terrorism, oil revenue management, Darfur peace efforts, and humanitarian relief. The harsh realities of the insurgency in eastern Chad have hobbled Chad's ability to be an effective partner with us in pursuing each of these goals. This regime-threatening conflict has interfered with its cooperation on TSCTP, diverted oil revenues destined for its poor, forced it into siding with the Sudanese rebel groups opposed to the Darfur Peace Agreement, and worsened the humanitarian emergency on its border with Sudan. For Chad to be the partner we want it to be and need it to be, the insurgency in eastern Chad must be understood and steps taken

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to resolve it. While aggravated by instability spreading from Darfur, that conflict stems importantly from the failure of Chad's leadership to address another fundamental goal of our policy here, i.e., the consolidation of democratic governance. What went wrong and what can be done to deal with it is the subject of a subsequent message.

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